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Attorneys for Secured Creditor Azzure Capital, LLC

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA DIVISION**

In re:

The Litigation Practice Group P.C.,

Debtor.

OHP-CDR, LP, a Texas Limited
Partnership and PURCHASECO 80, LLC, a
Texas Limited Liability Company,

Plaintiffs,

v.

RICHARD A. MARSHACK, Chapter 11
Trustee and AZZURE CAPITAL, LLC, a
New York Limited Liability Company

Defendants.

Case No.: 8:23-bk-10571-SC

Adv. Case No. 8:23-ap-01098-SC

Hon. Scott C. Clarkson

Chapter 11 case

**DEFENDANT AZZURE CAPITAL,
LLC'S ANSWER TO PLAINTIFFS OHP-
CDR, LP'S AND PURCHASECO 80,
LLC'S ADVERSARY COMPLAINT FOR
FAILURE TO STATE A CLAIM**

STATUS CONFERENCE DATE

Date: December 6, 2023

Time: 11:00 a.m.

Place: 411 West Fourth Street
Suite 5130/Courtroom 5C
Santa Ana, CA 92701

Complaint Filed: September 11, 2023

Trial Date: Not yet assigned

Defendant Azzure Capital, LLC (“Azzure”) by and through its attorneys, answers
Plaintiffs OHP-CDR, LP (“OHP-CDR”) and PurchaseCo 80 (“PurchaseCo” together with “OHP-
CDR” the, “Plaintiffs”) Adversary Complaint (“Complaint”), as follows:¹

STATEMENT OF JURISDICTION, NATURE OF PROCEEDING AND VENUE

1. With respect to the allegations made in paragraph 1 of the Complaint, Azzure
admits that the Court has jurisdiction over this proceeding. Paragraph 1 of the Complaint also
contains Plaintiffs’ statement of consent to the entry of final orders, to which no response is
required. To the extent a response is required, Azzure consents to the entry of final orders or
judgments by this Court, if it is determined that the Court, absent consent of the parties, cannot
enter final orders or judgments consistent with Article III of the United States Constitution.

2. Azzure admits the allegations in paragraph 2 of the Complaint.

3. Azzure admits the allegations in paragraph 3 of the Complaint.

THE PARTIES

4. Azzure lacks the knowledge or information sufficient to form a belief about the
allegations in paragraph 4 of the Complaint, and on that basis denies.

5. Azzure lacks the knowledge or information sufficient to form a belief about the
allegations in paragraph 4 of the Complaint, and on that basis denies.

6. Azzure lacks the knowledge or information sufficient to form a belief about the
allegations in paragraph 4 of the Complaint, and on that basis denies.

7. Azzure admits in part and denies in part the allegations in paragraph 7 of the
Complaint. Azzure is a limited liability company organized under the laws of the State of New
York, but its principal place of business is in Brooklyn, New York.

GENERAL ALLEGATIONS

A. LPG’s Business

8. Azzure admits the allegations in paragraph 8 of the Complaint to the extent that
LPG purported to be a “law firm”, that before the bankruptcy, provided consumer debt resolution
services in the form of debt validation, consultation, and litigation defense. Azzure lacks the

¹ All capitalized terms not otherwise defined herein are used with the meaning assigned to them in the Complaint.

1 knowledge or information sufficient to form a belief about the remaining allegations in paragraph
2 8 of the Complaint, and on that basis denies.

3 9. Azure lacks the knowledge or information sufficient to form a belief about the
4 allegations in paragraph 9 of the Complaint, and on that basis denies.

5 10. Azure lacks the knowledge or information sufficient to form a belief about the
6 allegations in paragraph 10 of the Complaint, and on that basis denies.

7 11. Azure lacks the knowledge or information sufficient to form a belief about the
8 allegations in paragraph 11 of the Complaint, and on that basis denies.

9 12. Azure lacks the knowledge or information sufficient to form a belief about the
10 allegations in paragraph 12 of the Complaint, and on that basis denies.

11 13. Azure lacks the knowledge or information sufficient to form a belief about the
12 allegations in paragraph 13 of the Complaint, and on that basis denies.

13 **B. PurchaseCo's Purchase Of Receivables And OHP-CDR's Lien**

14 14. Azure lacks the knowledge or information sufficient to form a belief about the
15 allegations in paragraph 14 of the Complaint, and on that basis denies.

16 15. Azure lacks the knowledge or information sufficient to form a belief about the
17 allegations in paragraph 15 of the Complaint, and on that basis denies.

18 16. Azure lacks the knowledge or information sufficient to form a belief about the
19 allegations in paragraph 16 of the Complaint, and on that basis denies.

20 17. Azure lacks the knowledge or information sufficient to form a belief about the
21 allegations in paragraph 17 of the Complaint, and on that basis denies.

22 18. Azure lacks the knowledge or information sufficient to form a belief about the
23 allegations in paragraph 18 of the Complaint, and on that basis denies.

24 19. Azure lacks the knowledge or information sufficient to form a belief about the
25 allegations in paragraph 19 of the Complaint, and on that basis denies.

26 20. Azure lacks the knowledge or information sufficient to form a belief about the
27 allegations in paragraph 20 of the Complaint, and on that basis denies.
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21. Azzure lacks the knowledge or information sufficient to form a belief about the allegations in paragraph 21 of the Complaint, and on that basis denies.

22. Azzure lacks the knowledge or information sufficient to form a belief about the allegations in paragraph 22 of the Complaint, and on that basis denies.

23. Azzure lacks the knowledge or information sufficient to form a belief about the allegations in paragraph 23 of the Complaint, and on that basis denies.

24. Azzure lacks the knowledge or information sufficient to form a belief about the allegations in paragraph 24 of the Complaint, and on that basis denies.

C. LPG's Bankruptcy

25. Azzure lacks the knowledge or information sufficient to form a belief about the allegations in paragraph 25 of the Complaint, and on that basis denies.

26. The Alter Ego Complaint, being a writing, speaks for itself with respect to the allegations made therein. To the extent a response is required, Azzure admits that the Alter Ego Complaint does make the allegations referenced in paragraph 26 of this Complaint.

27. The Alter Ego Complaint, being a writing, speaks for itself with respect to the allegations made therein. To the extent a response is required, Azzure admits that the Alter Ego Complaint does make the allegations referenced in paragraph 27 of this Complaint.

28. Azzure admits the allegations in paragraph 28 of the Complaint.

29. Azzure admits the allegations in paragraph 29 of the Complaint.

30. The Alter Ego Complaint, being a writing, speaks for itself with respect to the allegations made therein. To the extent a response is required, Azzure admits that the Alter Ego Complaint does make the allegations referenced in paragraph 30 of this Complaint.

D. The Sale

31. The Sale Motion, being a writing, speaks for itself with respect to the relief requested therein. To the extent a response is required, Azzure admits that the Sale Motion sought the relief referenced in paragraph 31 of this Complaint.

32. The Sale Motion, being a writing, speaks for itself with respect to the allegations made in paragraph 32 of the Complaint. To the extent a response is required, Azzure admits that the Sale Motion made the statement asserted in paragraph 32 of the Complaint.

33. Azzure admits the allegation in paragraph 33 of the Complaint that OHP-CDR did file a *Limited Objection and Reservation of Rights Concerning the Trustee's Motion to Sell the Debtor's Assets* on or around July 19, 2023. However, on information and belief, Azzure denies the allegations asserted in that *Limited Objection* and restated in paragraph 33 of the Complaint.

34. The Sale Order, being a writing, speaks for itself, but to the extent a response is required, Azzure admits the allegations asserted in paragraph 34 of the Complaint.

35. The Sale Order, being a writing, speaks for itself, but to the extent a response is required, Azzure admits the allegations asserted in paragraph 35 of the Complaint.

36. Azzure admits the allegations in paragraph 36 of the Complaint.

37. Azzure lacks the knowledge or information sufficient to form a belief about the allegations in paragraph 37 of the Complaint, and on that basis denies.

E. The Azzure Compromise

38. Azzure admits the allegations in paragraph 38 of the Complaint.

39. Azzure admits the allegation in paragraph 39 that its Claim is based on a note dated February 7, 2023. Azzure lacks the knowledge or information sufficient to form a belief about the remaining allegations in paragraph 39 of the Complaint, and on that basis denies.

40. The Azzure Note, being a writing, speaks for itself, but to the extent a response is required, Azzure admits the allegations asserted in paragraph 40 of the Complaint.

41. Azzure admits the allegations in paragraph 41 of the Complaint.

42. The allegations in paragraph 42 of the Complaint represent legal conclusions, which do not require a response. To the extent a response is required, Azzure admits the allegation in paragraph 42 of the Complaint that BAE assigned its interest under the UCC-1 financing statement dated May 28, 2021 to Azzure, causing Azzure's lien to be secured ahead of all other liens filed after May 28, 2021.

43. The Cobalt Financing Statement referred to in paragraph 43 of the Complaint, being a writing, speaks for itself, but to the extent a response is required, Azzure admits the allegations therein.

44. The Cobalt Settlement referred to in paragraph 44 of the Complaint, being a writing, speaks for itself, but to the extent a response is required, Azzure admits the allegations therein.

45. The Cobalt-BAE Assignment referred to in paragraph 45 of the Complaint, being a writing, speaks for itself, but to the extent a response is required, Azzure admits the allegations therein.

46. Azzure lacks the knowledge or information sufficient to form a belief about the allegations in paragraph 46 of the Complaint, and on that basis denies.

47. Azzure lacks the knowledge or information sufficient to form a belief about the allegations in paragraph 47 of the Complaint, and on that basis denies.

48. Azzure admits the allegations in paragraph 48 of the Complaint.

49. Azzure admits the allegations in paragraph 49 of the Complaint.

50. The adversary proceeding defined in paragraph 50 of the Complaint, being a writing, speaks for itself, and no response is required. To the extent a response is required, Azzure lacks the knowledge or information sufficient to form a belief about the allegations in paragraph 50 of the Complaint, and on that basis denies.

51. Azzure denies the allegations in paragraph 51 of the Complaint.

52. Azzure admits the allegation in paragraph 52 of the Complaint that Trustee filed the Azzure Compromise Motion seeking approval of the Azzure Compromise on August 16, 2023. On information and belief, Azzure denies the remaining allegations in paragraph 52 of the Complaint.

53. The opposition referred to in paragraph 53 of the Complaint, being a writing, speaks for itself, and no response is required. Moreover, the allegations in paragraph 53 of the Complaint represent legal conclusions, which do not require a response. To the extent a response is required, Azzure admits that OHP-CDR and PurchaseCo filed an objection to the Azzure

1 Compromise Motion on August 30, 2023. On information and belief, Azzure denies the
2 remaining allegations in paragraph 53 of the Complaint.

3 54. The reply in support of the Azzure Compromise Motion referred to in paragraph
4 54 of the Complaint, being a writing, speaks for itself, and no response is required. To the extent a
5 response is required, Azzure admits that the referenced reply was filed on the referenced date. On
6 information and belief, Azzure denies the remaining allegations in paragraph 54 of the Complaint.

7 **FIRST CLAIM FOR RELIEF**

8 **Declaratory Relief**

9 **Against Richard A. Marshack as Chapter 11 Trustee**

10 55. Azzure repeats, realleges and incorporates herein every allegation contained in
11 paragraphs 1 through 54 of this Answer, with the same force and effect as though the allegations
12 were set forth herein.

13 56. The allegations in paragraph 56 of the Complaint constitute a legal conclusion for
14 which no response is required and is not directed to defendant Azzure. To the extent a response is
15 required, Azzure lacks the knowledge or information sufficient to form a belief about the
16 allegations in paragraph 56 of the Complaint, and on that basis denies.

17 57. The allegations in paragraph 57 of the Complaint constitute a legal conclusion for
18 which no response is required and is not directed to defendant Azzure. To the extent a response is
19 required, Azzure lacks the knowledge or information sufficient to form a belief about the
20 allegations in paragraph 57 of the Complaint, and on that basis denies.

21 58. The allegations in paragraph 57 of the Complaint constitute a legal conclusion for
22 which no response is required and is not directed to defendant Azzure. To the extent a response is
23 required, Azzure lacks the knowledge or information sufficient to form a belief about the
24 allegations in paragraph 57 of the Complaint, and on that basis denies.

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SECOND CLAIM FOR RELIEF

Declaratory Relief

Against Richard A. Marshack as Chapter 11 Trustee and Azzure Capital, LLC

59. Azzure repeats, realleges and incorporates herein every allegation contained in paragraphs 1 through 58 of this Answer, with the same force and effect as though the allegations were set forth herein.

60. Azzure denies the allegations in paragraph 60 of the Complaint.

61. Azzure denies the allegations in paragraph 61 of the Complaint.

62. Azzure denies the allegations in paragraph 62 of the Complaint.

AFFIRMATIVE DEFENSES

FIRST AFFIRMATIVE DEFENSE

Proof of Claim Incorporated

Azzure hereby adopts and incorporates by reference and pursuant to Federal Rule of Civil Procedure 10(c) all allegations and exhibits included in its Proof of Claim filed in the Debtor's main bankruptcy cases, as if fully restated herein.

SECOND AFFIRMATIVE DEFENSE

Failure to State a Claim

Plaintiffs have failed to plead adequate, sufficient and plausible facts upon which relief may be granted or otherwise entitling Plaintiffs to relief.

THIRD AFFIRMATIVE DEFENSE

No Controversy

As recognized in paragraph 24 of the Complaint, Plaintiffs filed their UCC-1 financing statement after Azzure's financing statement was filed, and so there is no controversy as to the priority of the parties' claims.

FOURTH AFFIRMATIVE DEFENSE

Law of the Case

Under the Law of the Case Doctrine, a court will not reexamine an issue previously decided by the same or higher court in the same case. *U.S. v. Jingles*, 703 F.3d 494, 499 (9th Cir.

2012). As recognized in the Complaint, Trustee and Azzure entered into the Azzure Compromise designating the priority of Azzure's claim in the above-captioned bankruptcy proceeding and filed the Azzure Compromise Motion, seeking the Court's approval thereof. At the September 13, 2023 hearing, the Court approved the Azzure Compromise. Accordingly, and per the Law of the Case Doctrine, the Court cannot for a second time address the issue of priority with respect to Azzure's claim in the bankruptcy proceeding.

WHEREFORE, Azzure respectfully requests that judgment on each and all of the claims set forth in the Complaint be entered in Azzure's favor and against Plaintiffs.

Dated: October 13, 2023

BRYAN CAVE LEIGHTON PAISNER LLP

By: /s/ Sharon Z. Weiss

Sharon Z. Weiss

Attorneys for Secured Creditor Azzure Capital, LLC

BRYAN CAVE LEIGHTON PAISNER LLP
120 BROADWAY, SUITE 300
SANTA MONICA, CA 90401-2386

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: Bryan Cave Leighton Paisner LLP, 120 Broadway, Suite 300, Santa Monica, CA 90401-2386.

A true and correct copy of the foregoing document entitled: DEFENDANT AZZURE CAPITAL, LLC'S ANSWER TO PLAINTIFFS OHP-CDR, LP'S AND PURCHASECO 80, LLC'S ADVERSARY COMPLAINT FOR FAILURE TO STATE A CLAIM will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On October 13, 2023, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Razmig Izakelian
razmigizakelian@quinnemanuel.com
- Yosina M Lissebeck
Yosina.Lissebeck@Dinsmore.com, caron.burke@dinsmore.com
- Richard A Marshack (TR)
pkraus@marshackhays.com, rmarshack@iq7technology.com;ecf.alert+Marshack@titlexi.com
- Ronald N Richards
ron@ronaldrichards.com, 7206828420@filings.docketbird.com
- United States Trustee (SA)
ustpreion16.sa.ecf@usdoj.gov

☐ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On , I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on , I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

October 13, 2023
Date

Raul Morales
Printed Name

/s/ Raul Morales
Signature